

Internal Control Assessment A/P Payment for Goods and Services

Purpose

To ensure that proper internal controls exist regarding payment to the extent that FSA adheres to those policies, procedures, regulations and laws.

Background

In accordance with Department of Treasury's Prompt Payment Regulations (Formerly OMB Circular A-125), FSA is required to pay commercial obligations within a certain time period and pay interest penalties when payments are late. Timely payment can be defined as not paying in advance of more than three business days of the due date and not paying late. Since the Prompt Payment Act allows for interest penalties to be assessed when payments are late, FSA must attempt to make payments on time.

The Prompt Payment rule expands the options for making early payments, if doing so is in the best interest of the government and promotes electronic payments. Agencies may accelerate payments for invoices under \$2,500, payments to small businesses, payments related to emergencies, disasters, and military deployments. Agencies may also make payment within 15 days of receipt of a proper invoice, but without evidence that goods or services were received, in certain circumstances.

Internal Control Standard

FSA must ensure that its payments are made on time.

Assessment of FSA's Compliance^{*}

We examined several months of invoices and reviewed the due date and compared it with the date when the invoices were stamped "paid" in order to verify the timeliness of payment. In addition, we interviewed FSA

^{*} The actual testing phase including interviews and examination of sampled records has not yet occurred. This write-up is only a sample of what may be discovered during the testing phase of the FMFIA process.

employees and asked the following question: Does the system access previously entered information and/ or record additional information necessary to automatically determine the due date and amount of vendor payments in accordance with the Prompt Payment Act, based on invoices, receiving reports, and contracts or purchasing orders? We found that the system did take into account the necessary information in order to make payments on time. However, we did not always find the supporting documentation for payment, such as the receiving report, purchase order and invoice.